

## Message Text

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ACTION AID-31

INFO OCT-01 EA-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 /111 W

----- 092100

P R 291005Z APR 75

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC PRIORITY 2440

INFO AMCONSUL HONG KONG

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PASS TREASURY FOR FOREIGN ASSETS CONTROL

E.O. 11652: N/A

TAGS: EFIN SN CB

SUBJECT: BLOCKING OF CAMBODIAN ASSETS

REF: A. SINGAPORE 1692 B. STATE 91120 C. HONG KONG 4521

1. FOLLOWING LETTER RECEIVED APRIL 29 FROM VICE PRESIDENT  
JONATHAN GRAVES, FNCB SINGAPORE: "DEAR AMBASSADOR CRONK:

RE: FOREIGN ASSETS CONTROL- US TREASURY DEPARTMENT CAMBODIAN US  
DOLLAR ACCOUNTS WITH OUR ACU. ATTACHED FOR YOUR READY RE-  
REFERENCE ARE TO STRAITS TIMES ARTICLES CONCERNING THE RECENTLY  
IMPOSED FOREIGN ASSET CONTROL REGULATIONS GOVERNING CAMBODIAN  
ASSETS. WE UNDERSTAND THIS STORY IS ONE THE ASSOCIATED PRESS  
WIRE AS WELL. THE INSTRUCTIONS WE RECEIVED BETWEEN APRIL 21 -  
APRIL 24 WERE AMBIGUOUS AND CONSTRAINED US TO SUSPEND OPERATIONS  
OF THE SINGAPORE DOLLAR ACCOUNT OF THE CAMBODIAN EMBASSY HERE  
AS WELL AS SOME INDIVIDUAL ACCOUNTS OF ITS EMPLOYEES FOR A DAY  
PENDING CLARIFICATION. UPON RECEIPT OF WORD FROM OUR NEW YORK  
OFFICE THAT THE TREASURY REGULATIONS PERTAIN TO US DOLLAR  
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ACCOUNTS ONLY, WE PERMITTED NORMAL ACCOUNT OPERATIONS TO

RESUME FRIDAY MORNING, APRIL 25, 1975. THE PRESS ATTENTION GIVEN THIS BRIEF EPISODE HINTS AT WHAT IS TO COME IN CONNECTION WITH SEVERAL CAMBODIAN BANKS WHICH MAINTAIN SUBSTANTIAL US DOLLAR DEPOSITS WITH US. THE EXACT TOTAL INVOLVED AT THE MOMENT IS US\$1,305,001.91 AND MATURITIES OF THE TIME DEPOSITS INVOLVED RANGE FROM DEMAND TO MAY 14, 1975. BRIEFLY, THE SCENARIO ANTICIPATED IS AS FOLLOWS:. WITHIN A FEW WEEKS TO A FEW MONTHS MATTERS WILL SETTLE DOWN IN CAMBODIA AT WHICH TIME THE CAMBODIAN BANKS WILL SEEK TO TEST THE LIQUIDITY OF THEIR US DOLLAR TIME DEPOSITS WITH US BY REQUESTING US TO PAY DEPOSIT PROCEEDS TO ANOTHER COUNTRY OR BANK. WE WILL STATE THAT THESE DEPOSITS HAVE BEEN BLOCKED BY ORDER OF THE US TREASURY DEPARTMENT. THIS WILL PROMPT THE CAMBODIAN BANKS TO ENGAGE COUNSEL WHO WILL BRING SUIT. WE CAN ANTICIPATE MAS INTERVENTION AT THIS POINT TO SPEED A COURT DECISION. OUR COUNSEL ADVISES THAT THE COURT JUDGEMENT WILL GO AGAINST US FOR THE AMOUNT OF THE DEPOSITS PLUS DAMAGES AND COURT COSTS. AT THIS POINT THE DILEMMA: DO WE PAY AND AROUSE THE WRATH (OR WORSE) OF THE TREASURY OR DO WE REFUSE TO PAY AND RISK MAS SUSPENSION (OR TERMINATION) OF THE BANK'S BANGKING LICENSE HERE? TO BE FRANK, NEITHER UNITED STATES' INTERESTS IN GENERAL NOR UNITED STATES BANKS IN PARTICULAR APPEAR TO GAIN FROM SUCH A SITUATION ARISING. NOR IS IT SUPPOSED THAT THE SINGAPORE GOVERNMENT WISHES TO ENTER INTO SUCH A CONFRONTATION WITH ALL ITS ACCOMPANYING NOTORIETY AND GIVEN PRESENT EDB EFFORTS TO ATTRACT US INVESTMENT HERE. NONETHELESS, WITH ITS INTEGRITY AS A FINANCIAL CENTER AND SAFE HAVEN FOR FOREIGN FUNDS AT STAKE, UNQUESTIONABLY THE GOVERNMENT OF SINGAPORE WILL MOVE DECISIVELY. CONSEQUENTLY, WE HAVE ASKED OUR NEW YORK OFFICE TO IMPRESS APPROPRIATE WASHINGTON OFFICIALS WITH THE GRAVITY OF THE MATTER AND ATTENDANT BUSINESS AND FOREIGN POLICY CONSIDERATIONS. OUR OBJECTIVE WILL BE TO REMOVE THIS IMPEDIMENT TO GOOD RELATIONS BETWEEN SINGAPORE AND THE UNITED STATES AS QUICKLY AS POSSIBLE. WE WOULD DEEPLY APPRECIATE YOUR ASSISTANCE AND THE HELP OF YOUR ASSOCIATES TO DRAMATIZE AND RESOLVE THIS ISSUE WITH THE APPROPRIATE AUTHORITIES IN WASHINGTON AT YOUR EARLIEST CONVENIENCE."

2. COMMENT: BLOCKING OF CAMBODIAN ACCOUNTS S RECEIVING CONSIDERABLE PRESS ATTENTION IN SINGAPORE. ALTHOUGH MONETARY AU-  
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THORITY HAS NOT YET STEPPED INTO PICTURE, IT IS LIKELY DO SO  
WITHIN NEXT FEW DAYS.

3. ACTION REQUESTED: WE AND LOCAL AMERICAN BANKS NEED URGENTLY:

A) A CLEAR RATIONALE FOR ACTION BY USG TO BLOCK CAMBODIAN  
ACCOUNTS;

B) A PRECISE EXPLANATION OF TYPES OF ACCOUNTS AFFECTED;

C) IF ACTION COVERS DOLLAR ACCOUNTS DEPOSITED ABROAD IN AMERICAN BRANCH BANKS, HOW DO WE EXPLAIN EXTRATERRITORIAL NATURE OF ACTION.

D) INFORMATION (OR DRAFT) TO ANSWER ABOVE FNCB LETTER.

4. WE HAVE INFORMED GRAVES, WHO HAND-CARRIED LETTER, THAT IF MONETARY AUTHORITY RAISES ISSUE WITH US, WE WILL INFORM THEM WE HAVE SOUGHT CLARIFICATION AND INSTRUCTIONS AND URGE THEM TO BE PATIENT AND NOT TAKE ANY PUNITIVE ACTION AGAINST AMERICAN BANKS INVOLVED.

5. IT WOULD BE HELPFUL IF TREASURY OFFICIAL FAMILIAR WITH FOREIGN ASSETS CONTROL REGULATIONS COULD PAY BRIEF VISIT TO SINGAPORE TO ASSESS SITUATION AND HELP EXPLAIN ACTION TO MAS AUTHORITIES.  
CRONK

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## Message Attributes

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**To:** STATE  
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